

**DIRECT TESTIMONY
OF
MICHAEL KREMER
ON BEHALF
OF
GANYMEDE SOLAR, LLC
DOCKET NO. 2019-390-E**

February 5, 2020

1 **Q. PLEASE STATE YOUR NAME AND YOUR BUSINESS ADDRESS.**

2 **A.**My name is Michael Kremer and my business address is 445 Bush Street, 7th Floor, San
3 Francisco, CA.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 **A.**I am employed by Cypress Creek Renewables, LLC (“Cypress Creek”). My title is
6 Director, Project Finance.

7 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND ANY**
8 **PROFESSIONAL DESIGNATIONS?**

9 **A.**I received my Bachelor of Arts in International Relations from Tufts University.

10 **Q. PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE.**

11 **A.**I have been an employee of Cypress Creek for more than five years. During that time, I
12 have participated in multiple facets of the business, including project financings,
13 corporate capital raising, formulation and execution of development strategies, and other
14 strategic corporate initiatives. I have been directly involved in the financing or sale of
15 over 1 gigawatt of assets across the Southeast and multiple other states. In my current
16 role, I lead financing transactions for Cypress Creek, coordinating with lenders and tax
17 equity investors to raise financing for the construction and subsequent operation of
18 Cypress Creek’s solar assets.

19

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

2 **A.** I have not previously testified before this Commission.

3 **Q. ON WHOSE BEHALF ARE YOU PROVIDING THIS TESTIMONY?**

4 **A.** Ganymede Solar, LLC, (“Ganymede”, or “Project”). Ganymede is a wholly owned
5 subsidiary of Cypress Creek.

6 **Q. DOES CYPRESS CREEK CONDUCT BUSINESS IN OTHER STATES? IF SO,**
7 **PLEASE LIST THOSE STATES.**

8 **A.** Cypress Creek is actively developing and operating projects in numerous states across the
9 country, including South Carolina, North Carolina, Texas, New York, Virginia,
10 Pennsylvania, Illinois, and Massachusetts.

11 **Q. PLEASE DESCRIBE CYPRESS CREEK’S PROJECTS, BOTH PLANNED AND**
12 **COMPLETED, IN SOUTH CAROLINA.**

13 **A.** Cypress Creek has developed or constructed approximately 22 solar projects in South
14 Carolina with an aggregate capacity of approximately 375 MWdc. In addition to the
15 projects in operation, Cypress Creek has a South Carolina development pipeline in excess
16 of 800 MWdc.

17

18

1 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
2 **PROCEEDING?**

3 **A.** The purpose of my testimony is to support the Petition, now amended, and the Motion to
4 Maintain Status Quo.

5 **Q. ARE YOU FAMILIAR WITH THE VARIABLE INTEGRATION CHARGE**
6 **(“VIC”) PROPOSED BY DOMINION ENERGY SOUTH CAROLINA (“DESC”)?**
7 **IF SO, PLEASE EXPLAIN YOUR UNDERSTANDING OF THE VIC.**

8 **A.** Yes, I am familiar with the Variable Integration Charge that DESC has proposed in South
9 Carolina. While I do not necessarily agree that DESC has demonstrated that a VIC is
10 warranted, the VIC is a charge that DESC intends to levy on qualifying facilities (“QF”)
11 to compensate DESC for the cost of additional operating reserves that DESC asserts are
12 necessary to integrate third-party owned solar generation onto DESC’s operating system.

13 **Q. ARE YOU FAMILIAR WITH THE COMMISSION ORDERS REGARDING THE**
14 **VIC? IF SO, PLEASE EXPLAIN YOUR UNDERSTANDING OF THE ORDERS.**

15 **A.** Yes, I am generally familiar with the Commission Orders regarding the VIC. I am aware
16 that in March 2019 the Commission issued an order bifurcating the avoided cost issues,
17 including the VIC issue, from DESC’s fuel cost proceeding. I am also aware that in
18 November 2019 the Commission issued an order adopting an “interim” VIC of \$2.29 /
19 MWh, and that in January 2020 the Commission reduced the interim VIC to \$0.96 /
20 MWh, subject to a true-up after a forthcoming integration study is completed. This

interim VIC, subject to future adjustment, would apply both to projects with existing PPAs with the VIC language and to any projects that may execute PPAs in the future.

Q. FROM A BUSINESS STANDPOINT, WHAT EFFECT DID THE IMPLEMENTATION OF A VIC HAVE ON YOUR COMPANY'S ABILITY TO OBTAIN FINANCING FOR PROJECTS SUCH AS GANYMEDE?

A. After posting Ganymede's first interconnection milestone deposit in late 2018, Cypress Creek initiated an effort to model the project valuation, in order to approach potential financing counterparties. As these efforts were underway, DESC for the first time proposed a VIC charge of \$3.96/MWh as part of its 2019 fuel cost and avoided cost proceeding. A \$3.96/MWh VIC would reduce revenues under the available QF PPA rates by more than 10% and would render these available PPAs uneconomical. Prior to its filing in the 2019 fuel cost case, DESC had never indicated to Cypress Creek that it would seek Commission approval to impose an integration charge on solar projects.

During the fuel cost and avoided cost proceeding, the South Carolina Solar Business Alliance ("SCSBA") requested that the Commission bifurcate the avoided cost component of the proceeding and hold that portion of the proceeding, including the proposed VIC, in abeyance until the end of the 2019 legislative session. The General Assembly was at that time actively considering proposed legislation that would become Act 62. Given the substantial uncertainty regarding the potential outcomes of future proceedings before the Commission addressing the VIC, and the negative financial

1 impact the proposed VIC would have had on the Project, Cypress Creek would have been
2 obligated to disclose to prospective financing partners the proposed and uncertain VIC.

3 Ultimately, due to the magnitude of DESC's proposed VIC in the fuel case and
4 the uncertainty surrounding a final Commission decision on the VIC in subsequent
5 proceedings, Cypress Creek was unable to execute a PPA for the Project and move
6 forward with the financing process.

7 **Q. THE FINAL AMOUNT OF THE VIC IS NOT KNOWN AT THIS TIME, AND**
8 **THE VIC AMOUNT MAY CHANGE AFTER THIS COMMISSION'S**
9 **INTEGRATION STUDY. DOES THAT FACT CREATE ADDITIONAL**
10 **UNCERTAINTY FOR THE POTENTIAL FINANCING ENTITIES FOR THE**
11 **PROJECT? IF YES, PLEASE EXPLAIN.**

12 **A.** Yes, the fact that the final VIC remains unknown creates substantial uncertainty for the
13 Project and potential financing entities. When a project like Ganymede attempts to obtain
14 financing, the capital stack is generally made up of three primary components: a tax
15 equity investor; a permanent financing/debt provider; and the sponsor equity provider. If
16 the projected cash flows for the project are uncertain, it becomes difficult or impossible
17 to obtain market rate project financing for the tax equity and the debt portion of the
18 capital stack. Tax equity investors and debt providers are generally required to assume a
19 worst-case scenario for projected cashflows when they consider a project for financing.
20 Uncertainty about the amount of the VIC that will be imposed results in uncertain

1 cashflows that make a project unfinanceable for the tax equity and/or debt providers,
2 and/or require the sponsor equity provider (i.e. the long-term project owner) to reduce its
3 expected returns and increase risk such that the project becomes uneconomical to
4 develop.

5 **Q. WITHOUT THE RELIEF SOUGHT IN THE PENDING AMENDED PETITION,**
6 **WILL YOUR COMPANY BE ABLE TO CONSTRUCT THE PROJECT? IF NO,**
7 **PLEASE EXPLAIN YOUR ANSWER.**

8 **A.** For the reasons described above, the Project has been unable to obtain project financing,
9 creating substantial uncertainty as to the viability of the project. The uncertainty
10 regarding the final VIC will not be removed until the Commission's study is completed
11 and a final VIC is established for existing and future PPAs. If the Project is not granted
12 the relief sought in the amended Petition, the project will lose its interconnection queue
13 position, thereby eliminating the Project's prospects for continuing the development
14 process and ultimately being constructed and placed in service.

15 **Q. IF THE PROJECT IS NOT CONSTRUCTED, WILL THERE BE AN ADVERSE**
16 **EFFECT ON THE ECONOMY OF THE COUNTY WHERE THE PROJECT IS**
17 **TO BE LOCATED? IF YES, PLEASE EXPLAIN YOUR ANSWER.**

18 **A.** Yes. If the Project is not constructed, the county where the Project is located will not
19 receive the economic benefits that would otherwise accompany the development of the
20 Project.

1 **Q. IF THIS PROJECT IS COMPLETED, WILL THERE BE A POSITIVE IMPACT**
2 **ON THE EMPLOYMENT AND ECONOMY OF BOTH SOUTH CAROLINA**
3 **AND THE COUNTY IN WHICH THE PROJECT IS TO BE LOCATED? IF YES,**
4 **PLEASE EXPLAIN YOUR ANSWER.**

5 **A.** Yes, the Project is projected to create more than 125 local construction jobs and employ
6 over 800 workers in Calhoun County during construction, who will spend money on
7 lodging, food, and in other local businesses. If completed, the Project would pay
8 property taxes equaling approximately \$9 million over the life of the project.

9 **Q. PLEASE EXPLAIN THE RELIEF SOUGHT BY THE PROJECT IN ITS**
10 **PENDING AMENDED PETITION AND MOTION TO MAINTAIN STATUS**
11 **QUO.**

12 **A.** The Project requests that this Commission exercise its supervisory authority to modify
13 the deadline in the Project's Interconnection Agreement for the Milestone payment of
14 December 27, 2019 until 12 months after the issuance of an order on this Petition. The
15 Project also requests the Commission maintain the status quo regarding the Project's
16 existing interconnection queue position pending the issuance of an order on this Petition.

17 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

18 **A.** Yes.